

**Remarks**

The Office Action mailed September 14, 2004 has been carefully reviewed and the foregoing amendment has been made in consequence thereof.

Please note that although the Office Action Summary indicates that the Office Action dated September 14, 2004 is a Final Office Action, the undersigned contacted the Examiner and confirmed that the box labeled "Final" on the Summary had been mistakenly checked. Accordingly, the Examiner confirmed that this is a Non-Final Office Action.

Applicant and the undersigned wish to express their appreciation to the Examiner for the courtesies he extended during a telephone interview that occurred on October 1, 2004. During the interview, the Office Action dated September 14, 2004 was discussed. More specifically, the undersigned and the Examiner discussed the two pending Section 112 rejections relating to the "re-marketing model" and "payment behavior", respectively. The undersigned explained that he would address the Section 112 rejection relating to the re-marketing model by referring the Examiner to sections of the specification that describe the re-marketing model. The undersigned also advised the Examiner that he would amend the independent claims to address the Section 112 rejection relating to the payment behavior. The parties discussed the proposed claim changes.

Although no agreement was reached with respect to the patentability of the claims in the present case, the Examiner advised that he would fully consider Applicant's arguments. The Examiner also indicated that Applicant had overcome all of the cited references. The foregoing Amendment has been made in consequence of the Examiner Interview.

Accordingly, Applicant respectfully submits that the present patent application is in condition for allowance.

Claims 1-14 and 16-18 are now pending in this application. Claims 1-18 stand rejected. Claim 15 has been canceled.

The rejection of Claims 1-14 and 16-18 under 35 U.S.C. § 112, first paragraph, is respectfully traversed.

Applicant respectfully submits that the specification meets the requirements of Section 112, first paragraph. Specifically, Applicant respectfully submits that the specification, including the figures, would enable one skilled in the art to make and/or use the invention as described in the present patent application. Accordingly, Applicant respectfully requests that the rejection of Claims 1-14 and 16-18 under Section 112, first paragraph, be withdrawn.

The Office Action indicates at page 2 that “Claims 1, 7, 9, and 17 lack sufficient written disclosure in the description of a re-marketing model.” Applicant respectfully traverses this assertion, and submits that the specification, including the figures, would enable one skilled in the art to make and/or use the invention including the re-marketing model. More specifically, Applicant submits that the specification, including the figures, clearly describes the re-marketing model including using the re-marketing model to calculate expenses incurred from repossessing a non-stationary asset used as collateral for a borrower’s loan, and calculate a probability that an event will occur impacting payment of the borrower’s loan. For example, with respect to the issue of the re-marketing model calculating a probability that an event will occur impacting payment of the borrower’s loan, the specification at page 3, lines 3-18 provides in relevant part as follows:

In addition, the models described herein are particularly useful in volatile markets for managing distressed loan portfolios. Models that have been developed for more stable markets where more complete data is available are certainly suitable for such stable markets. However, and as explained above, such models are not necessarily applicable to distressed loan portfolios in volatile markets.

Volatile markets are markets which reflect changes in loan delinquencies based on one or more event occurrences. Examples would include changes in the political climate, large interest rate changes and natural disasters. The models are flexible enough to calculate probabilities of such events and predict results. For example, in a auto loan scenario, if a natural disaster such as a flood occurred, some number collateral assets are likely to be lost, thereby resulting in both a decrease in loan collections and a rapid depreciation of the vehicles affected.

Other events are also incorporated into the models, for example, where the collateral is located affects speed of depreciation and cost of repossession. In addition, all of the above are used in determining collection employee workload, since the model is used to predict when and where delinquent accounts are likely to occur.

In other words, the re-marketing model could be used to calculate the probabilities of a natural disaster such as a flood occurring, and the resulting decrease in loan collections and the rapid depreciation of the vehicles affected.

By way of further example, and with respect to the issue of the re-marketing model calculating expenses incurred from repossessing a non-stationary asset used as collateral for a borrower's loan, the specification provides in relevant part as follows:

More specifically, and in one embodiment, a collateral-based loan 10 management system includes a collections model and a re-marketing model (page 4, lines 9-10).

Figure 2 illustrates a re-marketing model 50. Model 50 is based on those loans "deemed uncollectable" 14 in collections model 10. Once deemed uncollectable 14, then repossession of the collateral 52 against which the loan is secured is pursued, e.g., repossess an automobile that is collateral for an automobile loan. With respect to automobiles, or vehicles, such vehicles generally are within two categories. That is, either the vehicle is located 54 or the vehicle is not found 56. If the vehicle is located 54, then the vehicle can be auctioned 58, redeemed 60, or placed in inventory 62. If the vehicle is not found 56, then an outside agency 64 can be engaged to locate the vehicle or the particular loan can be written-off 66.

Re-marketing model 50 is particularly useful in capacity planning. For example, and with respect to vehicles, if a large number of vehicles are to be repossessed, then planning must be done to store such vehicles as well as to sell the vehicles. In addition, model 50 can be utilized in forming a basis for predicting the value of vehicles to be repossessed and sold, as well as the timing of such activities.

Modeling loan information using collections model 10 and re-marketing model 50 described above facilitates an understanding of the portfolio and assists in visualizing delinquencies (page 6, line 14 to page 7, line 3).

In addition, the specification describes at page 7, lines 6-25 exemplary assumptions for use with the re-marketing model:

Figure 3 illustrates exemplary assumptions for re-marketing. Similar assumptions are assigned for collections model, and the assumptions illustrated in Figure 3 are only by way of example. More specifically, and referring to Figure 3, it is assumed that 0-5% of all loans 12 will be deemed for repossession 52. Vehicles will be located 54 for 60% of the loans for repossession 52, and 40% of the vehicles will not be found 56. With respect to the vehicles located 54, 0-10% will be auctioned 58, 5% will be redeemed 60, and 85-90% will go into inventory 62. Of those vehicles to be auctioned 58, 20-60% will actually be auctioned, and of those vehicles to be redeemed 60, 20-70% will actually be redeemed.

With respect to the vehicles not found 56, in one embodiment about 25% will be assigned to an outside agency for location 64, and about 75% will be written off 66. Of those vehicles assigned to an outside agency 64, 15% will actually be found. Again the percentage values used herein are those used in one embodiment and are for illustration only.

The assumptions represented in Figure 3 can be updated from month to month to more accurately reflect current data. The percentage assumptions described above are one example only and percentages change based on other external factors. Using the assumptions, cash flow predictions can be made based on those vehicles deemed for repossession 52. A similar process is followed with respect to collections to make a total cash flow estimate for a particular month.

Accordingly, Applicant submits that the calculating of expenses incurred from repossessing a non-stationary asset used as collateral for a borrower by the re-marketing model is fully described.

Therefore, Applicant respectfully submits that the specification, including the figures, would enable one skilled in the art to make and/or use the invention as described in the present patent application including using the re-marketing model to calculate expenses incurred from repossessing a non-stationary asset used as collateral for a borrower's loan, and calculate a probability that an event will occur impacting payment of the borrower's loan. Accordingly, Applicant respectfully requests that the rejection of Claims 1-14 and 16-18 under Section 112, first paragraph, be withdrawn.

The Office Action also indicates at page 2 that "Claims 1, 7, 9, and 17 lack adequate written disclosure in the description of a borrower's payment behavior...It is unclear of what are included or excluded in a borrower's payment behavior or what is the scale or how to measure the behavior."

Applicant respectfully traverses these assertions, and submits that the specification, including the figures, would enable one skilled in the art to make and/or use the invention including the description of the borrower's payment behavior. More specifically, Applicant submits that Claims 1, 7, 9, and 17 have been amended to include the recitation "analyzing the borrower's payment behavior after initiating the at least one collection strategy including whether the borrower made a payment and, if so, an amount of the payment". Accordingly,

Applicant respectfully requests that the rejection of Claims 1-14 and 16-18 under Section 112, first paragraph, be withdrawn.

For the reasons set forth above, Applicants respectfully request that the rejection of Claims 1-14 and 16-18 under Section 112, first paragraph, be withdrawn.

In view of the foregoing amendments and remarks, all the claims now active in this application are believed to be in condition for allowance. Reconsideration and favorable action is respectfully solicited.

Respectfully Submitted,



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